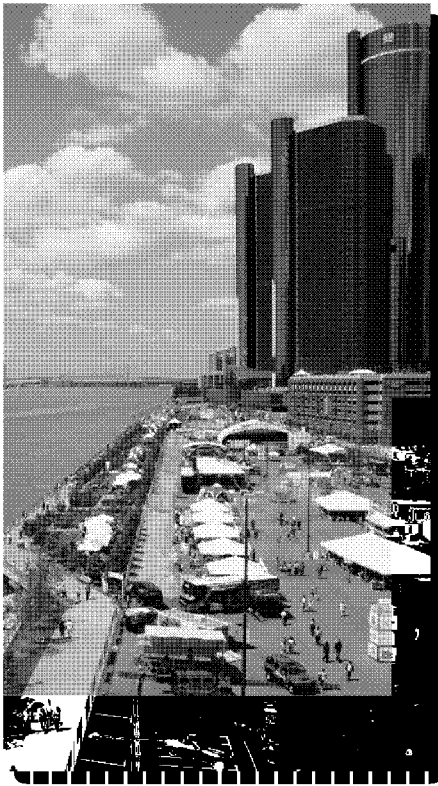


Exhibit 11



Comprehensive Annual Financial Report

City of Detroit, Michigan
For the Fiscal Year Ended June 30, 2012

Dave Bing, Mayor
Jack Martin, Chief Financial Officer



*"We hope for
better things."*

*"It shall rise again
from the ashes.""*

FOUNDED 1701
INCORPORATED 1806
AREA (Square Miles) 137.9
POPULATION 713,777

City of Detroit

Comprehensive Annual Financial Report

for the Fiscal Year Ended June 30, 2012

Dave Bing, Mayor

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PHOTO CREDITS

All photographs courtesy of City of Detroit - Communications and Creative Services Department



December 28, 2012

The City of Detroit
The Honorable Mayor Dave Bing and
The Honorable City Council

The management and staff of the Finance Department are pleased to submit the City of Detroit's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012 along with the Independent Auditors' Report. This report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials and other interested parties. The CAFR contains all disclosures necessary to enable the reader to gain an understanding of the City's financial activities.

INTRODUCTION TO THE REPORT

Responsibility: The Finance Department prepares the City's CAFR and is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. We believe the data presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City's primary government and component units for which it is financially accountable.

Adherence to Generally Accepted Accounting Principles (GAAP): GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of independent auditors.

Independent Audit: All local units of government within the State of Michigan must comply with the Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, which requires an annual audit of the financial records and transactions of the City by independent certified public accountants. The primary purpose of the auditing requirements of this act is to maintain the confidence of all interested parties in the integrity of the record keeping and financial reporting of local units of government.

PROFILE OF THE GOVERNMENT

Background and Overviews: Detroit is the largest city in the state of Michigan and is the seat of Wayne County. The City covers approximately 140 square miles and accounts for nearly half of the population of Wayne County. The City is internationally known for automotive manufacturing and trade. Detroit is located on an international waterway, which is linked via the St. Lawrence Seaway to seaports around the world. The City was incorporated in 1806, and is a home rule city under State law. The organizational structure of the City is as follows:

Executive Branch: The Mayor heads the executive branch. The citizens of Detroit elect the Mayor to a four-year term. The City Charter grants the Mayor broad managerial powers including the authority to appoint department directors, deputy directors, and other executive branch officials. The responsibility to implement most programs, provide services, activities, and manage day-to-day operations is delegated by the Charter to the executive branch.

Legislative Branch: The legislative branch is comprised of the City Council and its agencies. The nine members of City Council are also elected to a four-year term. Many significant decisions, including budget appropriations, procurement of goods and services, and certain policy matters must be approved by the City Council.

Other Agencies: The City Clerk's Office and the Election Commission are not classified under either of the two branches mentioned above.

LOCAL ECONOMY

Comerica Bank economists communicates that job growth in the Detroit metro area is easing in late 2012 after beating the U.S. average through 2011. Multiple factors are shaping overall job growth as we close out 2012. A major factor is the flattening out of manufacturing employment in the metro area. The auto industry bailout and the subsequent gain in auto sales have brought tens of thousands of jobs back to the Detroit area. With the ongoing fiscal crisis of the City of Detroit, government employment is falling. Total government employment in the Detroit metro area is down 5.2 percent on a year-ago basis in October. Housing prices in the Detroit metro area are firming, up 7.6 percent on a year-ago basis as of September.

LONG-TERM FINANCIAL PLANNING

The Administration will begin preparing a triennial budget commencing with the FY 2013-2014 proposed budget.

ACCOMPLISHMENTS/ACKNOWLEDGEMENTS

Accomplishments:

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Detroit for its CAFR for the fiscal year ended June 30, 2011. This was the first time since 2005 that the City has received the prestigious award. This is the standard the City expects to consistently achieve.

Acknowledgements:

I wish to express my appreciation to the City's Finance Department, other City personnel and the fiscal staff at each of our component units whose professionalism, dedication and efficiency contributed to the preparation of this report. I also would like to extend my thanks to the Mayor's Office, Members of City Council and the Auditor General for their support.

Sincerely,



Cheryl R. Johnson
Finance Director/Group Executive



City of Detroit
OFFICE OF THE AUDITOR GENERAL
2 WOODWARD AVENUE, SUITE 208
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FAX: (313) 224-4091
www.detroitmi.gov

Mark W. Lockridge
DEPUTY AUDITOR GENERAL

AUDITOR GENERAL'S LETTER

December 28, 2012

The Honorable Mayor Dave Bing
And Members of the City Council
City of Detroit, Michigan

The basic financial statements included in the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012, were audited by KPMG LLP, under contract with the City of Detroit's, Office of the Auditor General. The audit of these financial statements and the resulting Auditors' opinion satisfies the requirements of the City Charter under Section 4-205.

Respectfully,

A handwritten signature in black ink that reads "Mark W. Lockridge".

Mark W. Lockridge
Deputy Auditor General

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Detroit
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

(g) Due from/to Other Governmental Agencies

Due from/to other governmental agencies consists primarily of sales, grant reimbursement, and charges for services to/from the County, the State, and the Federal Government.

(h) Inventory

Inventory is stated at the lower of cost or market using the average cost method. Inventory of governmental and enterprise funds are recorded as expenditures when consumed rather than when purchased.

(i) Capital Assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased capital assets are reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are recorded at estimated fair value as of the date received. The City's capitalization levels are \$5,000 on tangible personal property and for improvements other than buildings, and \$50,000 on infrastructure, including sewer and storm water lines. All acquisitions of land and land improvements are capitalized regardless of cost.

Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed. Capitalized interest for the year ended June 30, 2012 for the Sewage Disposal and Water Funds was \$18,991,646 and \$7,141,796, respectively. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement, and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Land improvements	5-67
Buildings and building improvements	5-50
Interceptors and regulators	100
Mains	67
Services and meters	20-87
Improvements other than buildings	5-50
Machinery, equipment, and fixtures	3-20
Vehicles other than buses	3-10
Buses	12
Other infrastructure	7-60

The City has a collection of artwork presented both in buildings and public outdoor spaces. The true value of the art is expected to either be maintained at cost or appreciate over time and, thus, the art is not depreciated. If individual pieces are lost or destroyed, the loss is recorded.

(j) Deferred Revenue

Deferred revenue represents revenues received, but for which the revenue recognition criteria have not been met. Accordingly, these revenues are deferred until such time as the revenue recognition criteria is met.

(k) Bond Premiums, Discounts, Issuance Costs, and Deferred Amounts on Refunding

In the government-wide and proprietary fund financial statements, bond premiums and discounts are deferred and amortized using the effective interest method. Issuance costs (deferred charges) and gains and losses (deferred amounts) on refunding are deferred and amortized over the life of the bonds using the straight-line method.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2012

NOTE V - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 413,828,059	\$ —	\$ (1,010,022)	\$ 412,818,037
Works of Art	29,804,733	—	—	29,804,733
Construction in Progress	20,878,802	19,288,971	(18,669,488)	21,498,285
Total Non-Depreciable Capital Assets	464,511,594	19,288,971	(19,679,510)	464,121,055
Depreciable Capital Assets:				
Buildings and Improvements	1,101,571,687	24,025,176	(1,373,506)	1,124,223,357
Machinery, Equipment, and Fixtures	593,550,060	21,530,276	(7,607,070)	607,473,266
Infrastructure	986,953,867	51,475,905	—	1,038,429,772
Total Depreciable Capital Assets	2,682,075,614	97,031,357	(8,980,576)	2,770,126,395
Less Accumulated Depreciation for:				
Buildings and Improvements	455,694,733	27,361,508	(1,373,505)	481,682,736
Machinery, Equipment, and Fixtures	480,203,450	32,108,913	(7,447,970)	504,864,393
Infrastructure	746,123,211	21,575,838	—	767,699,049
Total Accumulated Depreciation	1,682,021,394	81,046,259	(8,821,475)	1,754,246,178
Total Governmental Activities Capital Assets, Net	\$ 1,464,565,814	\$ 35,274,069	\$ (19,838,611)	\$ 1,480,001,272

Depreciation expense for governmental activities for the year ended June 30, 2012 was charged to functions as follows:

Public Protection	\$ 11,811,044
Health	531,149
Recreation and Culture	13,293,088
Economic Development	6,896,759
Housing Supply and Conditions	380,977
Physical Environment	14,376,466
Transportation Facilitation	14,367,841
Development and Management	19,388,935
Total	\$ 81,046,259